

# HOUSE BILL REPORT

## HB 1064

---

**As Reported by House Committee On:**  
State Government Operations & Accountability

**Title:** An act relating to improving government performance and accountability.

**Brief Description:** Improving government performance and accountability.

**Sponsors:** Representatives Miloscia, Nixon, Haigh, Shabro, Green, Hunt, Priest, Linville, Armstrong, Simpson, Bailey, Kenney, Haler, Springer, Chase, Quall, Murray, Wallace, McDermott, Upthegrove, Kilmer, Moeller, Kessler, Appleton, Williams, McCoy, Blake, Dickerson, Conway, Tom, P. Sullivan, Kagi, Morris, Wood, McIntire, Lantz, Hudgins, Ericks, Darneille, Clibborn, Morrell, Takko, O'Brien, Ormsby, McDonald and B. Sullivan.

**Brief History:**

**Committee Activity:**

State Government Operations & Accountability: 1/18/05, 1/19/05 [DPS].

**Brief Summary of Substitute Bill**

- Creates a Citizen Oversight Board to develop assessments and grading systems for state agencies.
- Authorizes the State Auditor, in collaboration with the Board, to develop and implement a plan for performance audits of state government.
- Directs state agencies to implement quality management programs.

---

**HOUSE COMMITTEE ON STATE GOVERNMENT OPERATIONS & ACCOUNTABILITY**

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 8 members: Representatives Haigh, Chair; Green, Vice Chair; Nixon, Ranking Minority Member; Clements, Hunt, McDermott, Miloscia and Schindler.

**Staff:** James Allen (786-7114).

**Background:**

Various state agencies and programs address government efficiency and accountability.

The Joint Legislative Audit and Review Committee (JLARC) employs the Legislative Auditor and conducts performance audits, program evaluations, sunset reviews, and other studies. The

State Auditor audits public accounts in state agencies and local governments. In addition, the State Auditor may conduct performance audits or performance verifications if authorized to do so in the Budget Act or in JLARC's work plan.

Legislation was enacted in 1996 establishing a performance based budgeting system for state agencies. Agencies are expected to: (a) establish mission statements and set goals; (b) develop strategies to achieve goals; (c) set outcome based objectives; (d) provide continuous self-assessment of each program; (e) link budget proposals with their mission statements and goals; and (f) objectively determine the success in achieving goals. The Office of Financial Management (OFM) assists agencies in developing strategic plans.

The Productivity Board was established to administer the employee suggestion program and the teamwork incentive program. State agencies are authorized to make employee recognition awards.

Governor Locke issued Executive Order 97-03 in 1997. The executive order directed all agencies to develop and implement programs to improve the quality, efficiency, and effectiveness of its public services using quality improvement, business process redesign, employee involvement, and other quality improvement techniques.

---

## **Summary of Substitute Bill:**

### Citizen Oversight Board

A Citizen Oversight Board (Board) is created to improve efficiency, effectiveness, and accountability in state government. The Board consists of seven members as follows: the State Auditor and the JLARC chair, who are non-voting members, four citizen members elected by the Governor from a list submitted by each major caucus in the Senate and the House of Representatives, and a citizen member selected by the Governor. Appointed members serve staggered terms and must have an understanding of state government operations and knowledge and expertise in performance management, quality management, strategic planning, performance assessments, or closely related fields. The JLARC provides staff support to the Board.

### Assessment and Performance Grading

The Board must establish and conduct an annual assessment and performance grading program of all state agencies on a phased-in schedule. Areas to be assessed include quality management, productivity and fiscal efficiency, program effectiveness, contract management and oversight, internal audit, internal and external customer satisfaction, statutory and regulatory compliance, and technology systems and on-line services. The results of the annual assessment and grading program will be submitted to the Governor, the appropriate legislative committees, and the public by December 15 of each year. Results will be posted on the internet.

### Performance Audits

The Board must work with the State Auditor regarding performance audits of state government. The Board must establish performance audit criteria, including generally accepted government auditing standards, legislative mandates, and performance objectives established by state agencies. Using these criteria, the State Auditor must complete a statewide performance review as a preliminary step to preparing a draft performance audit plan. Using these criteria, the Board and the State Auditor must develop a draft work plan on performance audits, seeking input from the JLARC, citizens, state employees including frontline employees, and state managers. Before adopting a final work plan, the Board and the State Auditor must consult with the Legislative Auditor to coordinate work plans and avoid duplication.

The State Auditor must contract out for the performance audits. Areas that performance audits may consider are listed, including:

- Identification of programs and services that can be eliminated, reduced, consolidated, or enhanced.
- Analysis of gaps and overlaps in programs and services and recommendations to correct gaps or overlaps.
- Analysis of, and recommendations about, the roles and functions of the state agency, its programs, and its services and their compliance with statutory authority.
- Identification of potential cost savings in the state agency, its programs, and its services.
- Identification and recognition of best practices.

The State Auditor and the Board may develop a grading system for the audits. The State Auditor is directed to solicit comments on preliminary performance audit reports from the audited state agency, the Office of the Governor, OFM, and JLARC. All comments must be incorporated into the final performance audit report. The State Auditor submits the final audit report to the Board, and the Board will release the report to the public, the Governor, and appropriate legislative committees. Final performance audit reports will be posted on the internet.

By June 30, 2007, and every four years following, JLARC must contract out for a performance audit of the performance audit program and the Board's responsibilities under the performance audit program.

The bill encourages the Administrative Office of the Courts to conduct performance audits of the courts under the authority of the Supreme Court, in conformity with the methods developed by the Board for Judicial Administration that have been approved by the Supreme Court. The Board for Judicial Administration is encouraged by the bill to consider quality improvement programs, audits, and scoring. The bill further encourages the judicial system to submit results of these efforts to the Chief Justice of the Supreme Court.

A sunset review of the Board is required in 2012.

### Quality Management

Each state agency, within available funds, must develop and implement a quality management program to improve the quality, efficiency, and effectiveness of the public services it provides. The program must identify immediate-term and near-term opportunities to improve services and reduce costs; identify goals and measure progress toward meeting them; evaluate and report the results of the program on a regular basis; and develop a plan for quality improvement. Efforts undertaken pursuant to the program must be integrated with quality management programs undertaken under an executive order or other authority.

State agencies whose chief executive is appointed by the Governor must report the quality management program results to the Governor on a regular basis, and state agencies whose chief executive is an elected official must report results to that elected official on a regular basis.

The Office of the Secretary of State, the Department of Social and Health Services, and the Department of Corrections must develop and implement a complete quality management plan by June 30, 2007. The Office of the Insurance Commissioner, the Department of Natural Resources, and the four-year institutions of higher education must do so by June 30, 2008. All other state agencies must develop and implement the program by June 30, 2006.

Beginning in 2007, and at least once every three years thereafter, various state agencies on a phased-in basis must apply for the Washington State Quality Award, or an equivalent outside quality assessment.

The Senate and House of Representatives must each develop a quality management program and report the results of the program to leadership of each major political party caucus. The Supreme Court is encouraged to develop a quality management program and report the results of the program to the Chief Justice. Local governments are also encouraged to implement a quality management program.

#### **Substitute Bill Compared to Original Bill:**

The substitute bill gives the State Auditor the sole responsibility to complete a statewide performance review within one year. The original bill required the State Auditor and the Citizen Oversight Board to share the responsibility to complete this statewide performance review.

The substitute bill also adds frontline state employees to the list of those to be consulted by the Board. The original bill specified "state employees" without the reference to frontline state employees.

Under the substitute bill, every four years, beginning with fiscal year 2007, JLARC will contract out for a performance audit of the performance audit program and the Board's responsibilities under the program.

Finally, the substitute bill encourages the Administrative Office of the Courts to conduct performance audits of courts under the authority of the Supreme Court.

**Appropriation:** None.

**Fiscal Note:** Preliminary fiscal note available.

**Effective Date of Substitute Bill:** The bill takes effect 90 days after adjournment of session in which bill is passed.

**Testimony For:** (In support of original bill) This bill improves government performance and saves taxpayers money. Improved performance will come from a score card and grading of agencies on how well they save money, follow state law, state regulations, and audit systems. Businesses and organizations in the state already use quality management. A statewide performance review is a best practice and it is common sense to look at government and its systems comprehensively. Even though the State Auditor is elected, this bill is needed because improving government needs to be a collaborative process to make sure results are accomplished. Frontline employees are frustrated by waste and red tape. The frontline employees would benefit from a solid, honest performance audit. Section 4's look at staffing ratios is good because the workload of frontline employees has been increasing. The bill is good, but needs more independent accountability, a focus on sustainability, biennium assessments in line with the state budget, whistleblower protection, reviews of current tax exemptions, and the Supreme Court should be required to participate. Initiative 900 is out there now and is too extreme, so this bill is a better solution. The broad level of bi-partisan support is impressive. The Governor, JLARC, and agencies can't provide the strong perception of independence that the public demands and this bill provides. One idea for improvement would be to consider shifting the Citizens Oversight Board from an oversight board to an advisory board. The Washington State Quality Award is a great deal because the cost of joining by an agency would be \$500 to \$5,000 and in return the Washington State Quality Award process would provide \$85,000 to \$125,000 worth of services, as a result of their sponsorship by others and their volunteer support. The process the Washington State Quality Award uses is patterned after the Malcolm Baldrige National Quality Improvement Act and improves customer satisfaction, employee productivity and satisfaction, and provides additional benefits. It is important for quality to start at the top. The Washington State Quality Award has a great team-building effect, plus it is a bargain.

(Neutral) The Governor does not yet have a position on this bill. It would be good to keep working this bill and alternatives so that a bill can be formulated that the Governor and Legislature can agree on. There is concern that comprehensive audits of every agency won't reap savings, that they are expensive to conduct, that there needs to be an effort to ensure bang for the buck, and that business doesn't use regular performance audits but instead uses them in targeted ways. Also, performance audits aren't silver bullets, clear and disciplined leadership is the most effective way to increase performance, and performance audits do not build capacity to improve because they are too focused on the past.

**Testimony Against:** None.

**Persons Testifying:** (In support of the original bill) Representative Miloscia, prime sponsor. Dennis Eagle, Washington Federation of State Employees; Steve Zemke, Taxpayers for

Washington's Future; David Goldstein, Taxsanity; and Gary B. Hills and Charles Bryan Parrish, The Boeing Company.

(Neutral) Jennifer Sprecher, Washington State Quality Award; and Mary Campbell, Office of the Governor.

**Persons Signed In To Testify But Not Testifying:** None.